1988-89 Public Accounts Digest

FOR THE FISCAL YEAR ENDED MARCH 31, 1989

PROVINCE OF BRITISH COLUMBIA

MINISTRY OF FINANCE AND CORPORATE RELATIONS

HON. MEL COUVELIER
Minister of Finance and Corporate Relations

90-04455/

British Columbia Cataloguing in Publication Data

British Columbia. Ministry of Finance and Corporate Relations.
Public accounts digest. — 1987/88–

Annual.
Continues: British Columbia. Ministry of Finance and Corporate Relations. Public accounts of British Columbia, digest. ISSN 0831-6058
Report year ends March 31.

ISSN 0840-948X

1. Finance, Public — British Columbia — Accounting — Periodicals. I. Title.

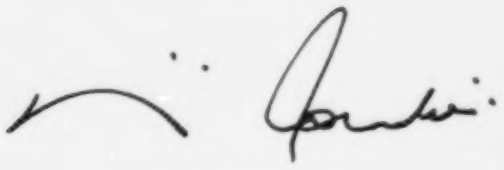
HJ13.B752 354.7110072'31'05

MESSAGE FROM THE MINISTER

The Public Accounts Digest summarizes the 1988/89 Public Accounts. The information in the digest is taken from operating statements of the government and is presented in a less technical fashion so it can be easily understood. The information in this digest does not include Crown Corporations.

I am pleased to report that net of transfers to the Budget Stabilization Fund, the 1988/89 General Fund deficit of $329 million was $462 million less than the 1987/88 deficit of $791 million. I am also pleased to report that, as a result of Budget Stabilization Fund and Privatization Benefits Fund revenues, public debt was $121 million lower at the end of 1988/89 than it was at the end of the previous year.

I hope this fourth digest continues to serve as an important link in the chain of accountability between the government and all British Columbians.



Mel Couvelier
Minister of Finance
and Corporate Relations

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INTRODUCTION

An overview of the financial process is presented at the beginning of the Digest in order to illustrate the principle stages of budget preparation, reporting and review.

The section on net revenue and expenditure shows results of the government's financial transactions for the fiscal year. Results are translated into constant dollar per person (per capita) figures to make the numbers more meaningful to the reader and to remove the effects of inflation and population growth.

Specific information on revenue (income) follows in the next section. Actual revenue is compared to budgeted revenue and the government's major sources of revenue are identified.

The section on expenditure (expenses) compares actual expenditure to authorized or budgeted expenditure. Highlights include a breakdown of costs of government services as well as the amounts spent on various categories of goods and services required to deliver government programs.

An explanation of how the government finances its operations and details of government borrowing can be found in the final two sections.

Summary financial statements are provided in the appendices.

The information in the Digest is taken from the Public Accounts of the Province, which is published in three volumes. These volumes contain the government's audited financial statements, together with supporting schedules; a listing of payments to elected officials, employees, suppliers and grant recipients; financial statements of Crown corporations and agencies, and the auditor's reports. You may purchase these volumes from:

Crown Publications Inc.
546 Yates Street
Victoria, British Columbia
V8W 1K8

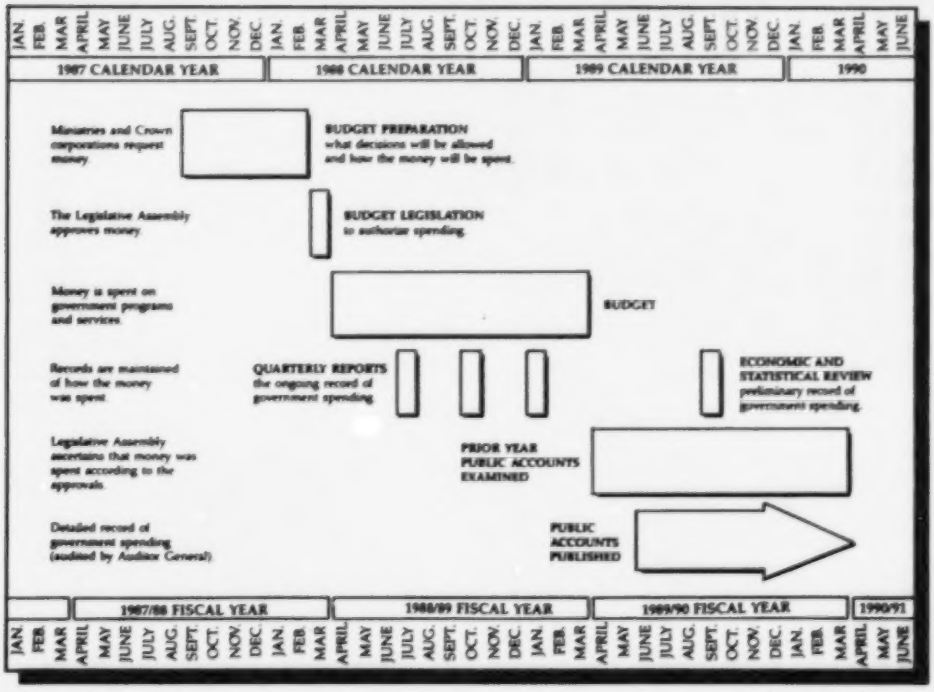
Telephone: (604) 386-4636
Fax Line: (604) 386-0221

OVERVIEW OF FINANCIAL PROCESS

The provincial budget is a public document which outlines the government's revenue, expenditure and financing (borrowing) plans for the 12 month period beginning April 1 and ending March 31. Preparation begins approximately eight months before the annual budget is presented to the Legislative Assembly.

Each ministry first identifies activities that require funding and submits their proposed budget to a committee of government caucus members. Treasury Board, a committee of cabinet ministers chaired by the Minister of Finance and Corporate Relations, then reviews the caucus committee's recommendations and makes the final decisions on individual ministry budget requests. Allocations to each ministry program are arrived at in conjunction with revenue expectations and in harmony with the government's priorities.

CHART 1 THE FINANCIAL CYCLE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1987 CALENDAR YEAR
1988 CALENDAR YEAR
1989 CALENDAR YEAR
1990
Ministries and Crown corporations request money.
BUDGET PREPARATION
what decisions will be allowed and how the money will be spent.
The Legislative Assembly approves money.
BUDGET LEGISLATION
to authorize spending.
Money is spent on government programs and services.
BUDGET
Records are maintained of how the money was spent.
QUARTERLY REPORTS
the ongoing record of government spending.
ECONOMIC AND STATISTICAL REVIEW
preliminary record of government spending.
Legislative Assembly ascertains that money was spent according to the approvals.
PRIOR YEAR PUBLIC ACCOUNTS EXAMINED
Detailed record of government spending (audited by Auditor General).
PUBLIC ACCOUNTS PUBLISHED
1987/88 FISCAL YEAR
1988/89 FISCAL YEAR
1989/90 FISCAL YEAR
1990/91
JAN. FEB. MAR APRIL MAY JUNE JULY AUG. SEPT. OCT. NOV. DEC. JAN. FEB. MAR APRIL MAY JUNE JULY AUG. SEPT. OCT. NOV. DEC. JAN. FEB. MAR APRIL MAY JUNE JULY AUG. SEPT. OCT. NOV. DEC. JAN. FEB. MAR APRIL MAY JUNE

The budget presented to the Legislative Assembly by the Minister of Finance and Corporate Relations is accompanied by the Estimates, a document sometimes referred to as the "Blue Book", that contains a list of estimates of revenue and spending programs, supplementary tables and statistical material. Spending for programs and services under each ministry is grouped in the Estimates into packages or "votes". They are called votes because Members of the Legislative Assembly debate and then vote on each package.

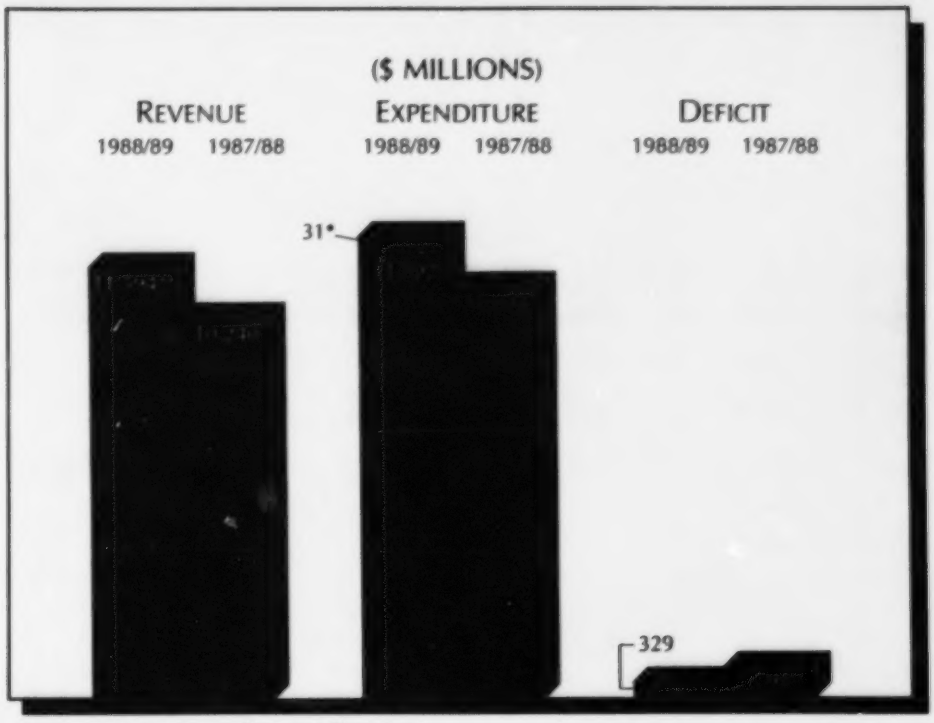
At the end of the financial or fiscal year the Public Accounts are prepared by the Comptroller General for the Minister of Finance and Corporate Relations to present to the Legislative Assembly. The Public Accounts describe the results of the government's financial operations, and contain the government's audited financial statements and detailed schedules and appendices.

Details on the financial process can be found in Appendix 1.

NET REVENUE AND EXPENDITURE

Net operating revenue of $11,594 million for 1988/89 increased by 13 percent over the previous fiscal year. As operating expenditures were $11,892 million, 8 percent higher than the previous year, the government had a deficit of $329 million after transfers of $671 million to the Budget Stabilization Fund ($592 and $79 million) and $308 million to the Privatization Benefits Fund, as well as an accounting adjustment (expense) of $31 million for recognition of grants paid for Social Assistance claims.

CHART 2 GENERAL FUND FINANCIAL HIGHLIGHTS



* non-operating transaction, see Chart 3.

** net of transfers to Budget Stabilization Fund ($592 m) and Privatization Benefits Fund ($308 m).

1988/89

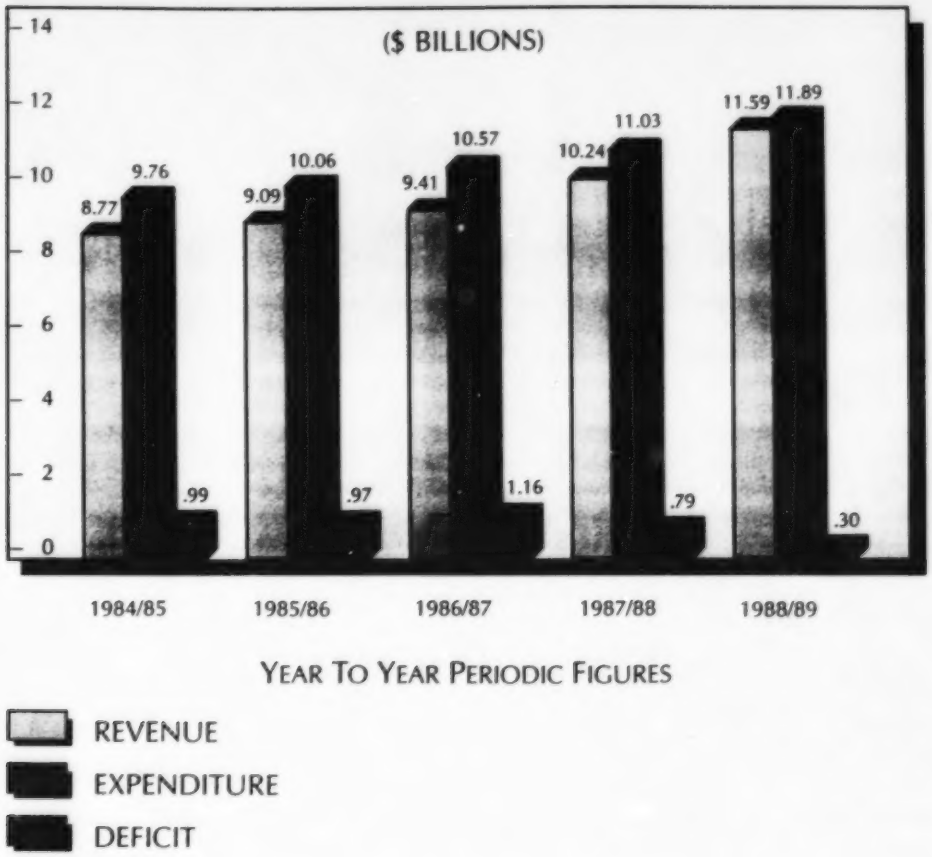
1987/88

The excess of General Fund expenditure over revenue (deficit) for 1988/89, when added to previous years' accumulated deficits, gives an excess of liabilities over recorded financial assets of $4.8 billion or $1,596 per person (provincial population of 3,029,000).

CHART 3 GENERAL FUND STATEMENT OF REVENUE AND EXPENDITURE 1988/89

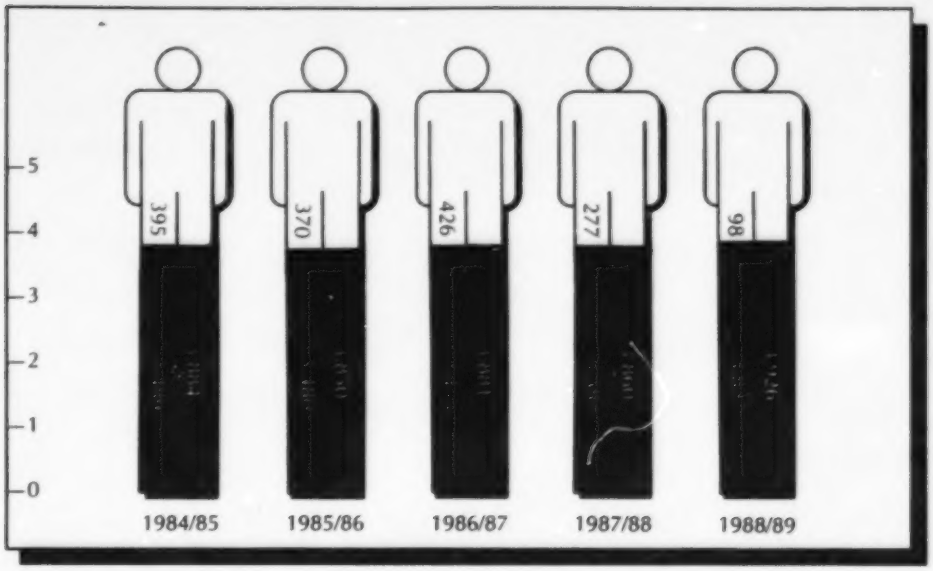
	1989	1988
	($ Millions)	
REVENUE		
Taxation	6,972	6,193
Natural resources	1,261	1,223
Other	1,404	1,051
Privatization transactions	308	
Contributions from Government enterprises	439	470
Contributions from the Federal Government	2,110	2,020
Gross revenue	12,494	10,957
Less: Transfer to Budget Stabilization Fund	(592)	(717)
Transfers to Privatization Benefits Fund	(308)	
Net revenue	11,594	10,240
EXPENDITURE		
Health	4,012	3,684
Social services	1,411	1,349
Education	2,881	2,628
Protection of persons and property	554	509
Transportation	829	928
Natural resources and economic development	867	735
Other	444	406
General government	207	242
Debt servicing — Third Parties	531	525
Debt servicing — Budget Stabilization Fund	77	
Transfer from Lottery Fund Special Account to Budget Stabilization Fund	79	25
Total expenditure	11,892	11,031
Net Operating Expenditure for the Year	(298)	(791)
NON-OPERATING TRANSACTIONS		
Accounting adjustment for recognition of grants paid for Social Assistance claims	(31)	
Net Expenditure for the Year	(329)	(791)

CHART 4 GENERAL FUND NET OPERATING RESULTS 1984/85 TO 1988/89



Provincial government general fund spending has increased by 22 percent from $9.76 billion in 1984/85 to $11.89 billion in 1988/89. Revenue over the same period has increased by 32 percent from $8.77 billion to $11.59 billion. However, when the effects of inflation and population growth are taken into consideration, spending increased by $42 per person or 1 percent and revenue increased by $338 per person or 10 percent over the same period.

CHART 5 PER CAPITA GENERAL FUND OPERATING RESULTS 1984/85 TO 1988/89 (1989 DOLLARS)



REVENUE

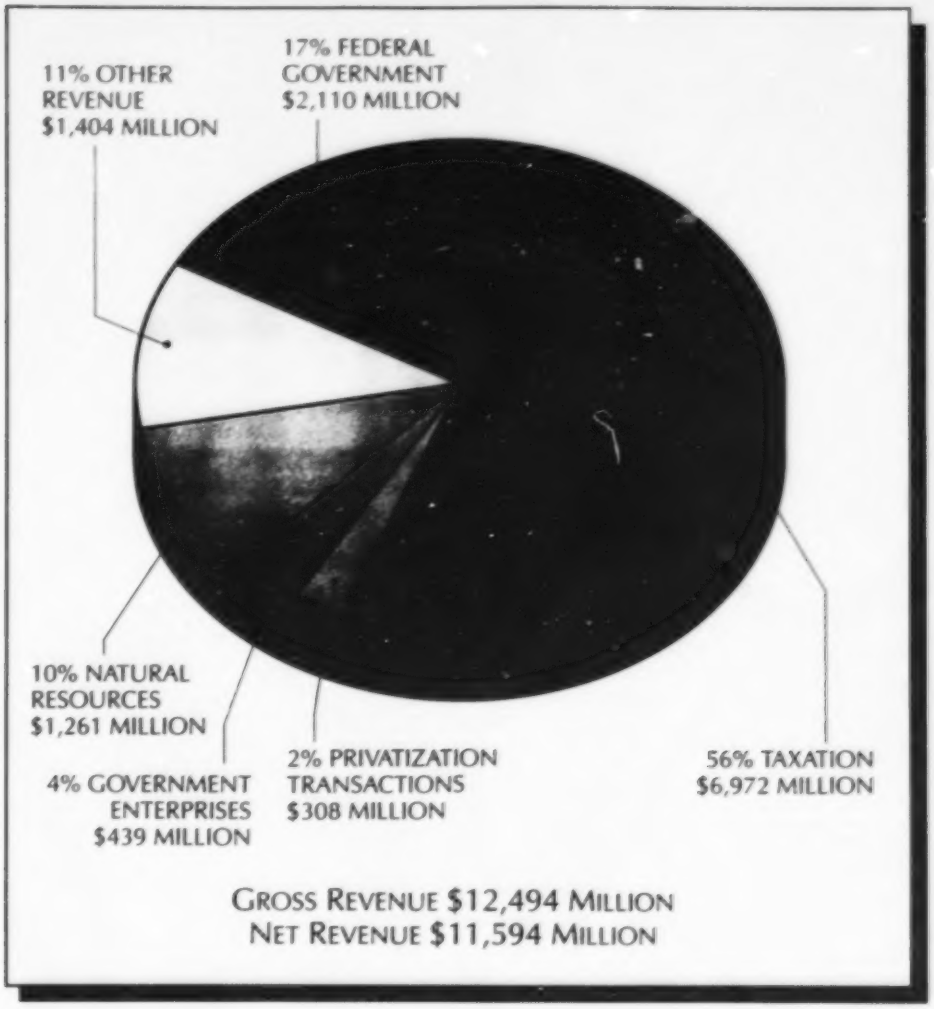
EXPENDITURE

DEFICIT

REVENUE

For 1988/89 net General Fund revenue of $11,594 million was 13 percent higher than the previous year (after transfers of $592 million to the Budget Stabilization Fund and $308 million to the Privatization Benefits Fund). The Budget Stabilization Fund was introduced in 1987/88 to cushion the province's finances from the cyclical shocks of British Columbia's resource based economy. The cyclical nature of the provincial economy means that provincial government revenue is volatile, making budget planning difficult. In years of strong revenue growth, like 1987/88 and 1988/89, transfers will be made into the Budget Stabilization Fund. Appendix 3 provides details on budgeted and actual revenue by source.

CHART 6 REVENUE SOURCES 1988/89


11% OTHER REVENUE $1,404 MILLION
17% FEDERAL GOVERNMENT $2,110 MILLION
10% NATURAL RESOURCES $1,261 MILLION
4% GOVERNMENT ENTERPRISES $439 MILLION
2% PRIVATIZATION TRANSACTIONS $308 MILLION
56% TAXATION $6,972 MILLION
GROSS REVENUE $12,494 MILLION
NET REVENUE $11,594 MILLION

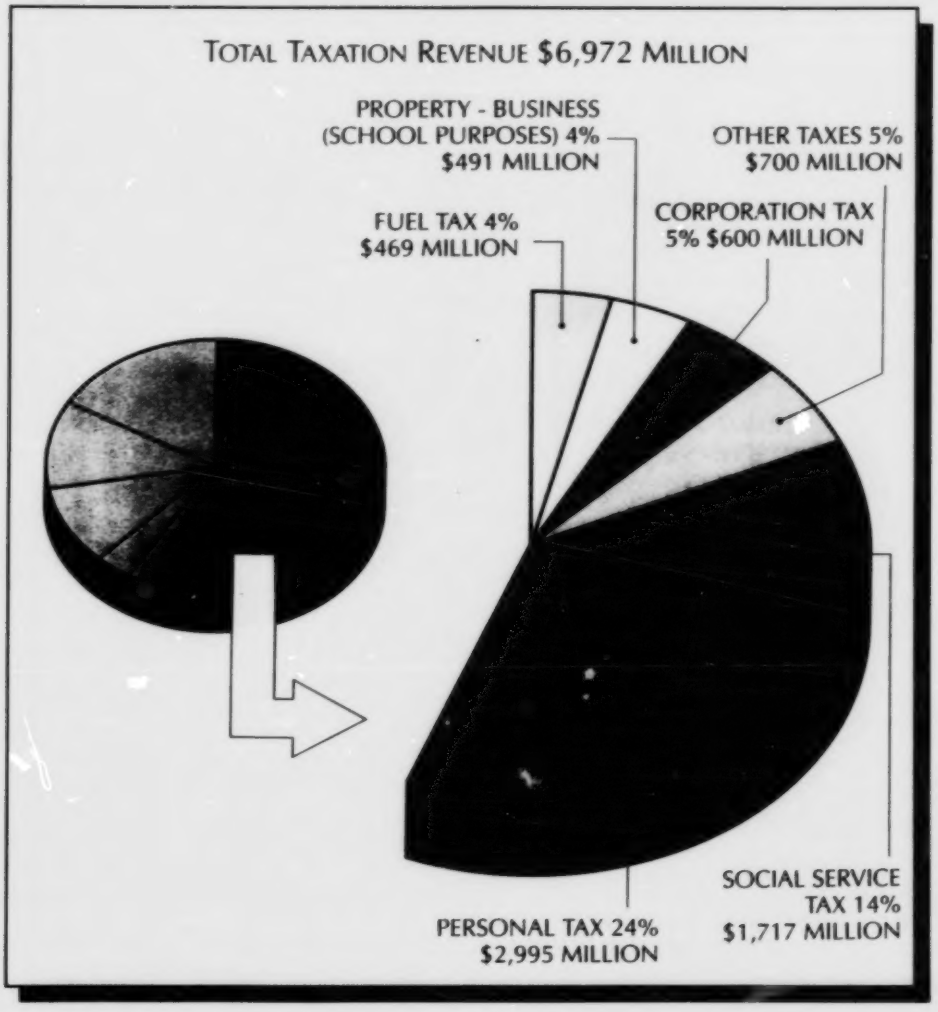
	Total ($ Millions)	Per Capita (Dollars)	Per Cent
Taxation	6,972	2,302	56
Natural resources	1,261	416	10
Other revenue	1,404	463	11
Privatization transactions	308	102	2
Contribution from Government enterprises	439	145	4
Contributions from the Federal Government	2,110	696	17
Gross revenue	12,494	4,124	100
Less: Transfer to Budget Stabilization Fund	(592)	(195)	
Transfers to Privatization Benefits Fund	(308)	(102)	
Net revenue	11,594	3,827	100

Taxation Revenue

Taxation revenue of $6,972 million was $382 million above the budget estimate, and 13 percent higher than during 1987/88.

Personal and corporate income tax revenue is collected on behalf of the provincial government by the federal government. Revenue is paid to the province on the basis of federal estimates of tax revenues that will be collected during the year. Once sufficient information is available (after approximately one year) adjustments are made to reflect the taxes actually collected. Personal income tax revenue was $211 million over budget, resulting from a higher than anticipated prior year adjustment totalling $105 million and higher than expected personal incomes during the year. Corporation income tax revenue was $43 million above budget. The increase of 27 per cent from 1987/88 was the result of higher corporate profits and the base broadening impact of federal government tax reform.

CHART 7 TAXATION REVENUE 1988/89


TOTAL TAXATION REVENUE $6,972 MILLION
PROPERTY - BUSINESS (SCHOOL PURPOSES) 4% $491 MILLION
OTHER TAXES 5% $700 MILLION
FUEL TAX 4% $469 MILLION
CORPORATION TAX 5% $600 MILLION
SOCIAL SERVICE TAX 14% $1,717 MILLION
PERSONAL TAX 24% $2,995 MILLION

Taxation Revenue 1988/89

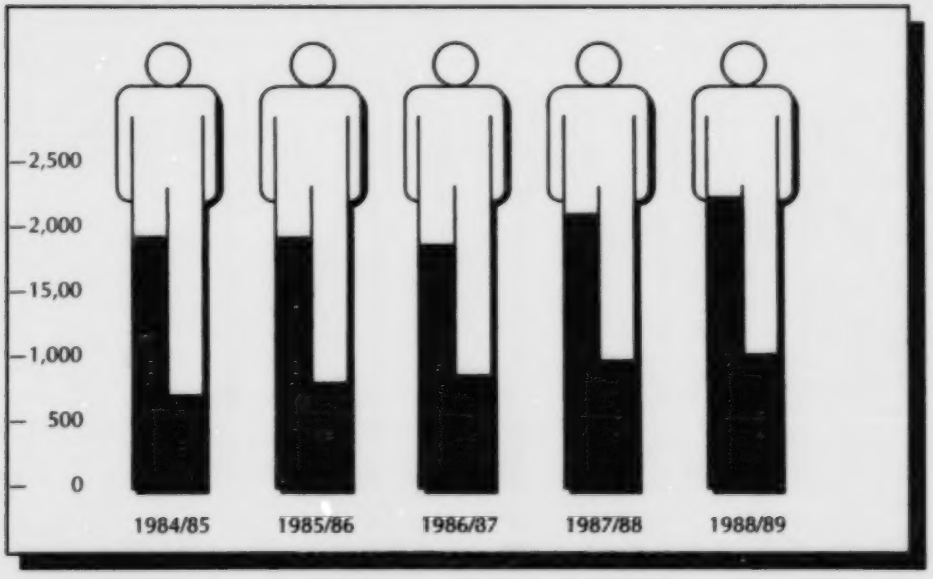
	Total ($ Millions)	Per Capita (Dollars)	Percent of Total Revenue
Personal income	2,995	989	24
Corporation income	600	198	5
Social service	1,717	567	14
Property — business (school tax)	491	162	4
Fuel	469	155	4
Other tax revenue	700	231	5
Total tax revenue	6,972	2,302	56

Social service tax revenue was $60 million above budget and 17 percent higher than the previous year, due to stronger-than-expected growth in retail sales and investment spending.

Fuel tax revenue was $39 million below budget due to lower-than-expected fuel prices, but was 4 percent greater than 1987/88.

Other taxation revenue was 23 percent higher than 1987/88. Property purchase tax revenue was $87 million above budget due to strong British Columbia real estate markets.

CHART 8 TAXES PER CAPITA — 1984/85 TO 1988/89 (1989 DOLLARS)



TOTAL TAXES PER PERSON

PERSONAL INCOME TAX PER PERSON

After taking into account the effects of inflation and population growth, total per capita taxes have increased by $308 over the period 1984/85 to 1988/89 and per capita personal income taxes have increased by $251 over the same period.

Natural Resource Revenue

Natural resource revenue, of $1,261 million was $38 million or 3 percent higher than last year.

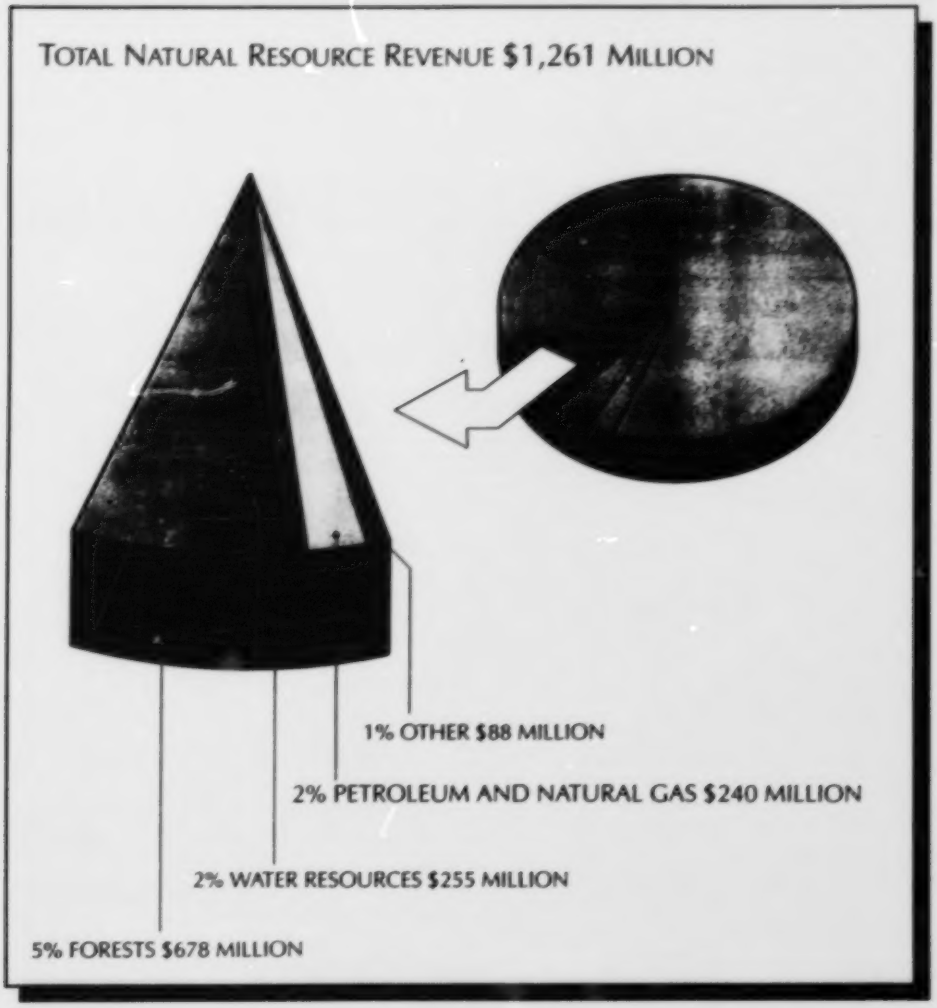
Petroleum and natural gas revenue increased $42 million or 21 percent over last year as a result of increased receipts from bonus bids for oil and natural gas drilling rights.

Forest revenue was 9 percent less than last year due to a continued decline in forest industry revenues from the peak levels of 1987.

Mineral revenue increased $21 million from last year and was $20 million higher than budgeted revenues.

Water rental income was $5 million above budget, and 19 percent higher than the previous fiscal year.

CHART 9 NATURAL RESOURCE REVENUE 1988/89


TOTAL NATURAL RESOURCE REVENUE $1,261 MILLION
1% OTHER $88 MILLION
2% PETROLEUM AND NATURAL GAS $240 MILLION
2% WATER RESOURCES $255 MILLION
5% FORESTS $678 MILLION

Natural Resource Revenue 1988/89

	Total ($ Million)	Per Capita (Dollars)	Percent of Total Revenue
Petroleum and natural gas	240	79	2
Water resources	255	84	2
Forests	678	224	5
Other	88	29	1
Total natural resource revenue	1,261	416	10

Other Revenue

Other revenue of $1,404 million was $196 million over budget, and 34 percent higher than in 1987/88.

Privatization Transactions

Net proceeds of $308.5 million were received from the sale and lease of assets through the government's privatization initiative. In order to reap the benefits of these sales over a number of years, these funds were paid into the Privatization Benefits Fund in accordance with the *Privatization Benefits Fund Act*.

Contributions from Government Enterprises

Contributions from government enterprises of $439 million were $9 million below the budget estimate and down 7 percent from 1987/88.

Liquor Distribution Branch profits were $9 million below budget and down $9 million from 1987/88.

In 1988/89 the provincial government received a dividend payment of $23 million from the British Columbia Buildings Corporation.

Federal Government Contributions

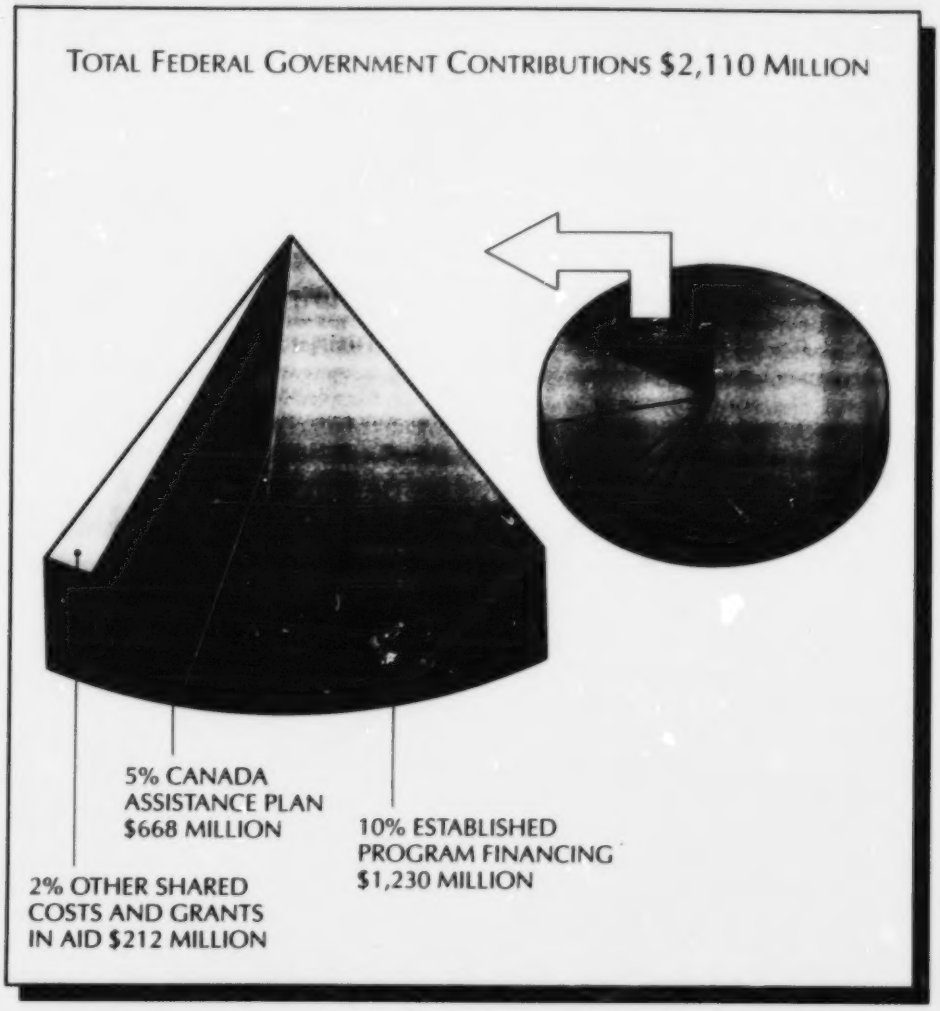
Contributions from the federal government of $2,110 million were $2 million above budget and 4 percent higher than the previous fiscal year.

Federal Government Contributions 1988/89

	Total ($ Million)	Per Capita (Dollars)	Percent of Total Revenue
Established Program Financing	1,230	406	10
Canada Assistance Plan	668	220	5
Other shared costs and grants in aid	212	70	2
Total contributions from federal government	2,110	696	17

Established programs financing contributions include payments received for post-secondary education and health care purposes. Canada Assistance Plan payments are received for cost-shared expenditure made by the government for social assistance and welfare services. The other provincial programs based on cost sharing agreements are primarily for manpower training and economic development.

CHART 10 FEDERAL GOVERNMENT CONTRIBUTIONS 1988/89

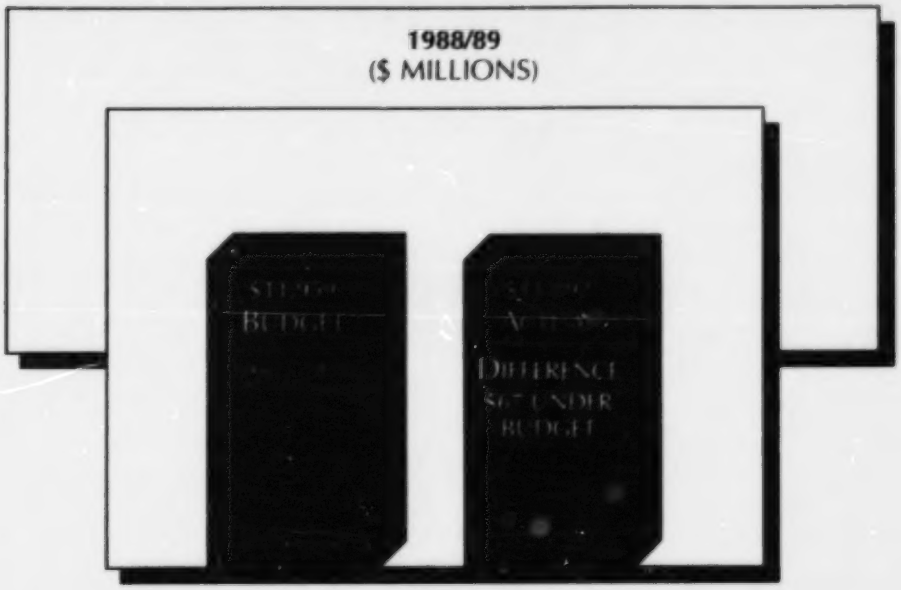

TOTAL FEDERAL GOVERNMENT CONTRIBUTIONS $2,110 MILLION
5% CANADA ASSISTANCE PLAN $668 MILLION
10% ESTABLISHED PROGRAM FINANCING $1,230 MILLION
2% OTHER SHARED COSTS AND GRANTS IN AID $212 MILLION

EXPENDITURE

Performance to Budget

Provincial government operating expenditures of $11,892 million during 1988/89 was $67 million below the adjusted budget estimate. Appendix 3 provides details of ministry performance compared to budget. Ministry actual spending differed, in some cases, significantly from the original budget due to government reorganization and special warrants.

CHART 11 ACTUAL VS BUDGETED OPERATING EXPENDITURES



During 1988/89, five of the 25 government ministries and special offices accounted for almost three quarters of General Fund expenditure including the Ministry of Health (33 percent), the Ministry of Education (17 percent), the Ministry of Social Services and Housing (12 percent), the Ministry of Advanced Education and Job Training (8 percent), and the Ministry of Transportation and Highways (5 percent). An additional 5 percent of General Fund expenditure pertained to public debt interest while the remaining 20 percent of expenditure was made by other ministries or through other appropriations.

Ministry of Health expenditure of $3,930 million was $15 million over the original budget estimate and up $303 million or 8 percent from the previous year. The major expenditure increases from last year were for hospital programs (up $159 million), Medical Services Plan (up $69 million), the Pharmacare program (up $28 million) and the Continuing Care program (up $34 million).

Ministry of Education expenditure of $1,979 million was $7 million over the budget estimate and up $152 million from the previous year. The increase from last year was primarily due to a $119 million increase in contributions to public school districts.

Expenditure by the Ministry of Social Services and Housing during 1988/89 was $1,432 million, $39 million above the original budget estimate and $54 million above 1987/88 expenditure. The budget variance was due to $43 million in higher-than-expected GAIN program expenditures partially offset by savings in other ministry programs. Major expenditure increases from the previous year were for Direct Community Services programs (up $12 million), Residential and Support Services programs (up $14 million) and Opportunities to Independence programs (up $8 million).

Ministry of Advanced Education and Job Training expenditure of $914 million was $50 million above the original budget estimate and up $107 million from the previous year. The increase from the original budget estimate was primarily due to increased operating contributions to universities, colleges and institutes.

Expenditure by the Ministry of Transportation and Highways of $653 million was $30 million below budget and down $113 million from 1987/88. The decrease from the original budget estimate was primarily the result of less-than-expected expenditure on highway construction.

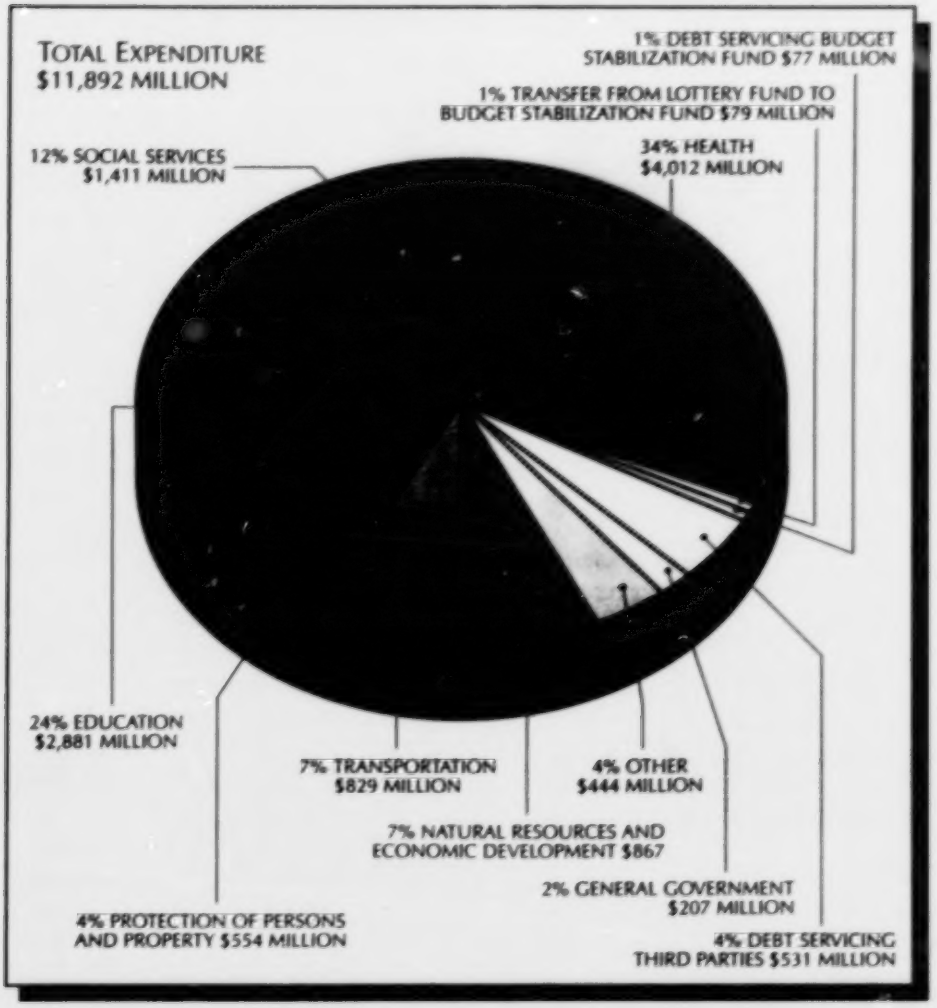
Lottery Fund

Expenditure by the Lottery Fund Special Account of $164 million was $5 million over budget and 37 percent more than the previous year. A transfer of $79 million to the Budget Stabilization Fund was included in this expenditure.

Expenditure by Function

Expenditure by function is the cost to government to deliver programs and services regardless of the current organizational structure. The accompanying chart and table illustrate the government's spending by major functional category. As you can see from the table below, expenditure on health, education and social services accounted for two-thirds of total provincial government expenditure.

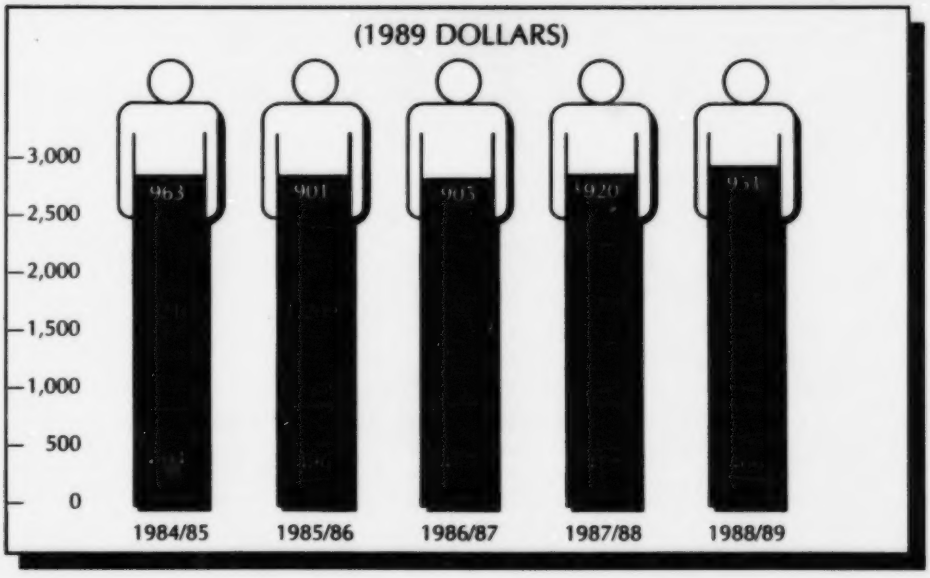
CHART 12 GENERAL FUND EXPENDITURE BY FUNCTION 1988/89


TOTAL EXPENDITURE
$11,892 MILLION
1% DEBT SERVICING BUDGET STABILIZATION FUND $77 MILLION
1% TRANSFER FROM LOTTERY FUND TO BUDGET STABILIZATION FUND $79 MILLION
34% HEALTH $4,012 MILLION
12% SOCIAL SERVICES $1,411 MILLION
24% EDUCATION $2,881 MILLION
7% TRANSPORTATION $829 MILLION
4% OTHER $444 MILLION
7% NATURAL RESOURCES AND ECONOMIC DEVELOPMENT $867
2% GENERAL GOVERNMENT $207 MILLION
4% PROTECTION OF PERSONS AND PROPERTY $554 MILLION
4% DEBT SERVICING THIRD PARTIES $531 MILLION

Expenditure by Function

	Total ($ Millions)	Per Capita (Dollars)	Percent
Health	4,012	1,325	34
Social services	1,411	466	12
Education	2,881	951	24
Protection of persons and property	554	183	4
Transportation	829	274	7
Natural resources and economic development	867	286	7
Other	444	147	4
General government	207	68	2
Debt servicing — Third Parties	531	175	4
Debt servicing — Budget Stabilization Fund	77	25	1
Transfer from Lottery Fund special account to Budget Stabilization Fund	79	26	1
Total expenditure	11,892	3,926	100

CHART 13 PER CAPITA SOCIAL PROGRAMS EXPENDITURE — 1984/85 TO 1988/89

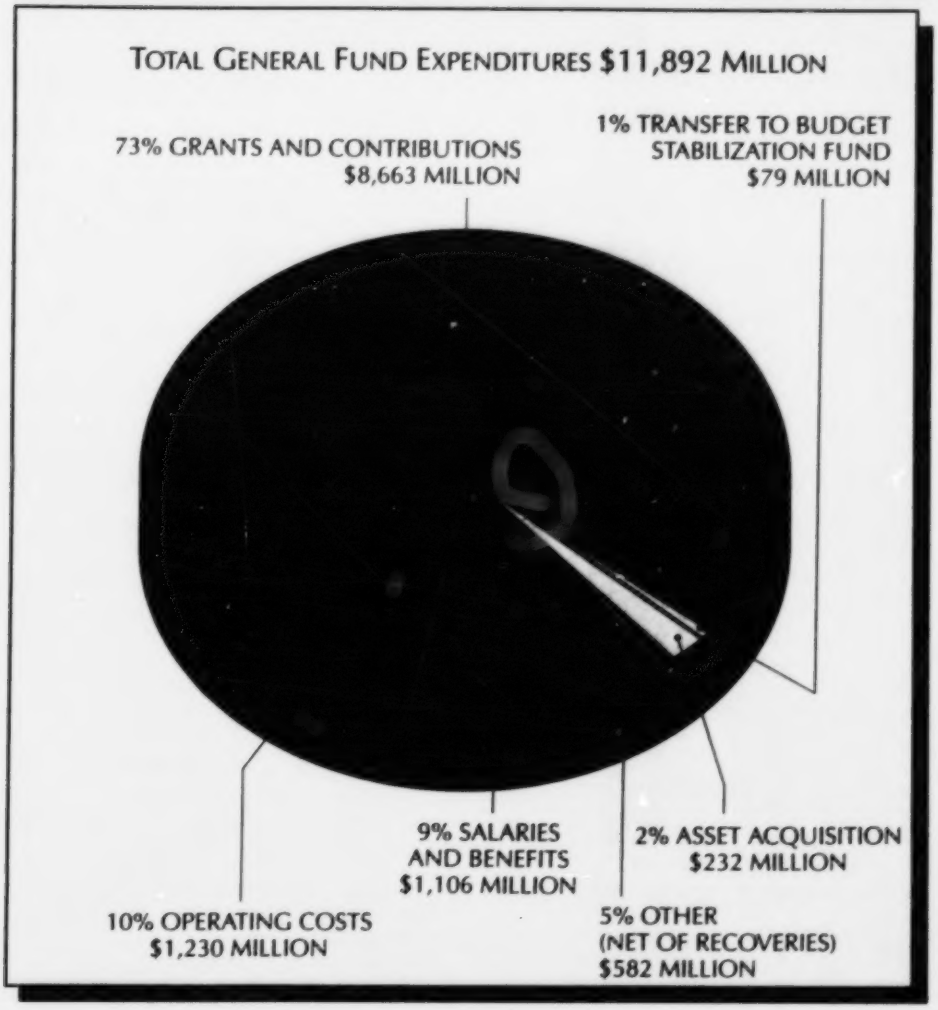


Note: Expenditure by function has been restated to more closely conform to the presentation used by Statistics Canada.

Expenditure for Goods and Services

The government spends money on a wide variety of goods and services to deliver government programs. The chart and tables below provide a breakdown of government spending by major category of goods or services acquired or transfer payments made.

CHART 14 GENERAL FUND EXPENDITURE FOR GOODS, SERVICES AND TRANSFER PAYMENTS 1988/89



	Total ($ Millions)	Per Capita (Dollars)	Percent
Salaries and benefits	1,106	365	9
Operating costs	1,230	406	10
Asset acquisitions	232	77	2
Grants and contributions	8,663	2,860	73
Transfer to Budget Stabilization Fund	79	26	1
Other (net of recoveries)	582	192	5
Total	11,892	3,926	100

Payroll costs of $1,106 million represent the total cost of salaries and benefits paid or payable to employees of the government and to elected officials.

Operating costs of $1,230 million include expenses such as data processing, office rent, telephone, publications and advertising, travel and contracted services.

The $232 million spent on asset acquisition includes items obtained on long-term leases but does not include assets constructed by government personnel.

Grants and contributions make up 73 percent of government spending. These payments are made to hospital districts, school districts, universities and colleges, local governments, societies, agencies and individuals. Of the $8,663 million paid out in grants and contributions, approximately $6,200 million goes directly to fund salaries paid by receiving organizations.

FINANCIAL REQUIREMENTS AND SOURCES

Sources

The government generated a net of $680 million in cash and temporary investments from its fiscal 1988/89 operations — $908 million more than expected. The net operating deficit was $97 million less than forecast, while receipts from non-cash operating and investment transactions during the year were $811 million more than expected. Included in the non-cash operating transactions are amounts due to the Budget Stabilization Fund which increased by $748 million during the year, $624 million more than forecast.

Uses

The government applied $115 million from its cash and temporary investments towards repayment of the public debt. Although $115 million was applied to public debt, the net debt was actually reduced by $98 million, the extra $17 million being used for discount payout less foreign exchange gains. Once these effects are removed, the actual decrease in principal debt less sinking funds was $121 million.

The $121 million reduction in public debt outstanding for government purposes in 1988/89 consisted of:

	Millions $
Decrease in short-term debt	(57)
Increase in Sinking Funds (which reduces debt)	(74)
Increase in long-term debt	10
Total decrease in public debt	(121)

An additional $1,190 million in long and short-term funds was borrowed by the government for re-lending to Crown corporations.

The remaining cash and temporary investments balance is held for future requirements.

PUBLIC DEBT

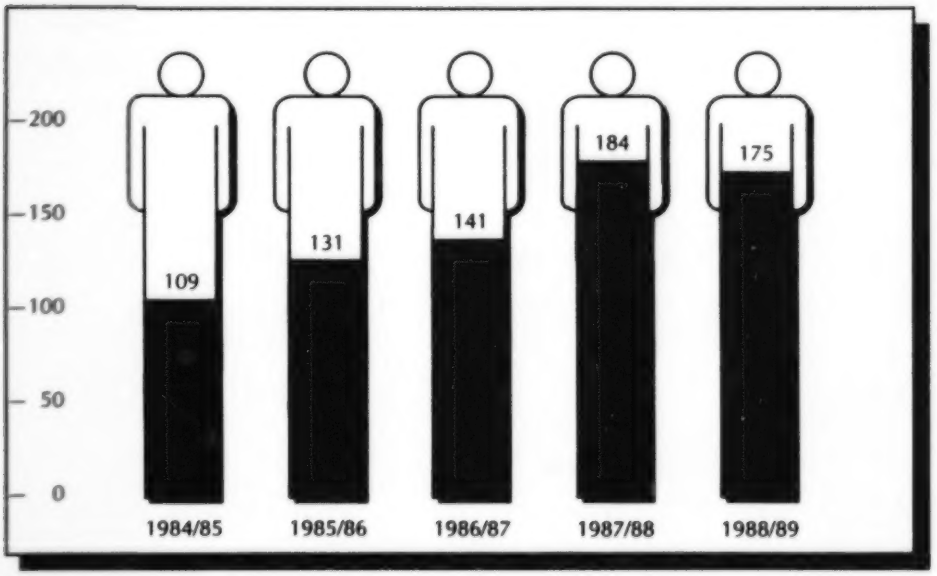
Direct Debt

The provincial government issues direct public debt for government purposes, as needed, to finance its operations.

From 1951/52 until 1981/82 the provincial government financed all operating and capital spending from current revenue and accumulated surpluses with only one exception.

Beginning in 1982/83 operating deficits have been funded through short-term and long-term borrowing in public and private markets in Canada and abroad. Gross direct public debt (principal less sinking funds — see page 19) was $5,089 million. As a result of increasing debt, the government's annual interest expense to third parties has risen from $28 million in 1982/83 to $531 million in 1988/89. At 4 percent of total expenditures, this is one of the lowest rates in Canada.

CHART 15 PER CAPITA DEBT SERVICE COSTS 1984/85 TO 1988/89 (1989 DOLLARS)



PROVINCE OF BRITISH COLUMBIA (for government purposes)

(Note: Net (of unamortized discount) direct public debt was $4,919 million.)

Fiscal Agency Loans

The size and complexity of provincial government and Crown corporation financing requires a borrowing program that is carefully structured and coordinated to ensure the most favourable terms in financial markets. To meet this objective, a program of direct borrowing for relending to Crown corporations was implemented in 1983 under amendments to the *Financial Administration Act*. This program, known as fiscal agency borrowing, provides cheaper financing to Crown corporations because of the government's strong credit rating and ability to borrow at lower rates. At March 31, 1989 fiscal agency debt (principal less sinking funds) of the government totalled $3,902 million.

Guaranteed Debt

Before the introduction of fiscal agency borrowing, most capital spending by Crown corporations and public bodies in British Columbia (other than municipalities) was financed through debt issued by individual Crown corporations and guaranteed by the provincial government. At March 31, 1989 the debt (principal less sinking funds) of Crown corporations and other public bodies, guaranteed by the provincial government was $7,678 million.

Total debt for Crown corporations (fiscal agency loans and guaranteed debt) defined as principal less sinking funds, was $11,580 million at March 31, 1989, down 4 percent from March 31, 1988.

Sinking Funds

The government considers it prudent to provide for the orderly retirement of debt as it comes due and regularly sets aside funds to be used to repay debt. These funds, known as sinking funds, are held in trust by the Minister of Finance and Corporate Relations to be used to pay off government and Crown corporation debt as it becomes due.

Sinking funds are currently established for all large debt issues of five years or longer, including funds borrowed from the Canada Pension Plan Investment Fund. At March 31, 1989 sinking fund balances totalled $4,005 million for guaranteed debt, $77 million for fiscal agency debt, and $230 million for provincial government direct debt. In recent years the value of some of the guaranteed debt sinking funds has reached or exceeded the amount of the corresponding debt issue in advance of the repayment date. In these cases, under legislative amendments enacted in 1981, payments into the sinking funds can be discontinued. To date, debt having a principal value of $423 million has been eligible for this treatment.

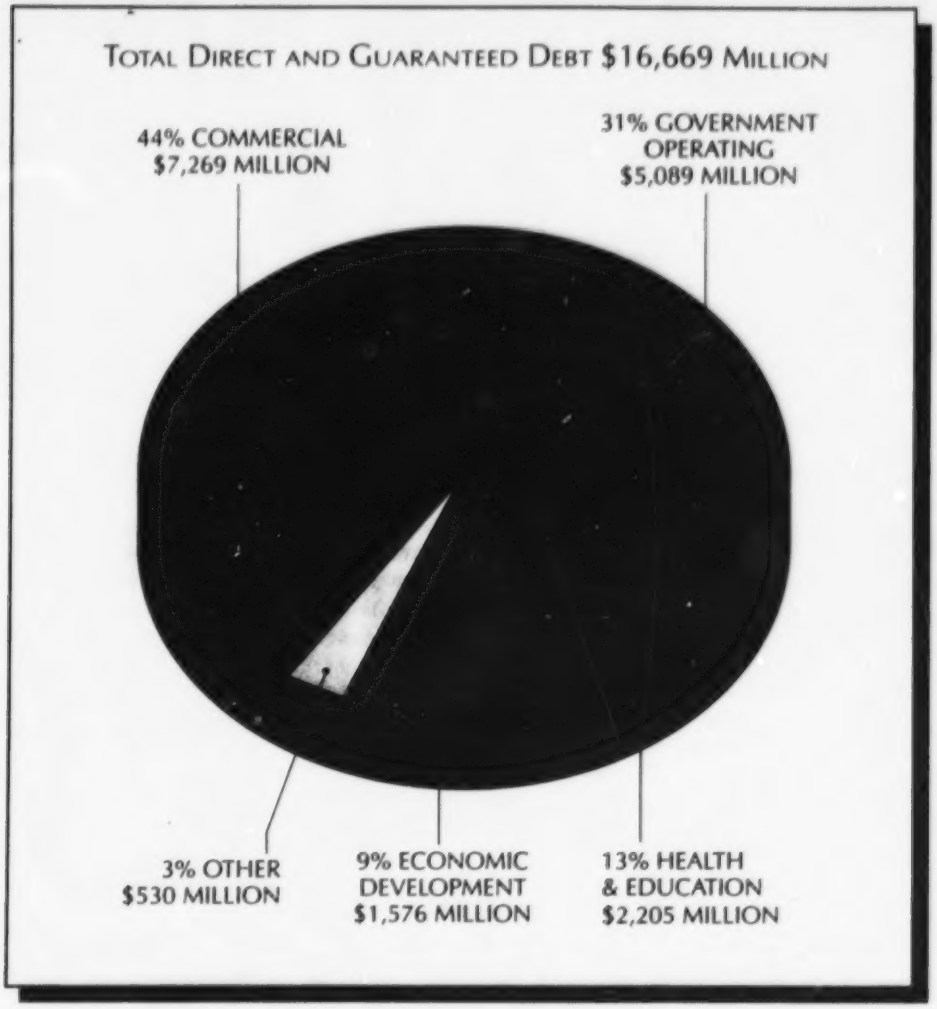
Composition of Direct and Guaranteed Debt

At March 31, 1989 direct and guaranteed debt of the provincial government totalled $16,669 million (see Chart 16). Direct debt accounts for approximately 31 percent of the total. Approximately 44 percent is debt of commercial Crown corporations such as the British Columbia Hydro and Power Authority. Commercial Crown corporations receive revenue from the sale of their services at commercial rates and pay their own operating expenses including debt service charges.

Economic development Crown corporations are generally operated as commercial Crown corporations. These Crown corporations may undertake projects which provide economic benefits to the province but which do not generate a sufficient financial return to fully service their debt. In these cases, the provincial government may provide grants or other forms of assistance. At March 31, 1989, the guaranteed debt of economic development Crown corporations represented 9 percent of the total direct and guaranteed debt. British Columbia Ferry Corporation and British Columbia Transit are examples of economic development Crown corporations.

Construction of schools, hospitals, educational institutions and government facilities is financed through borrowing, with the cost generally amortized over a period of 20 years. Debt servicing requirements are met through grants or rental payments from the provincial government and, in the case of schools and hospitals, partly from local property tax levies. At March 31, 1989 guaranteed debt and fiscal agency loans outstanding in respect of health and education services was 13 percent of total direct and guaranteed debt.

CHART 16 DIRECT AND GUARANTEED DEBT 1988/89



APPENDICES

1988-89

Public Accounts Digest

Province of British Columbia

APPENDIX 1

The *Supply Act*

To obtain funds for provincial operations at the beginning of the fiscal year, the government requires approval of the Legislative Assembly.

Because the debate on the Estimates (see page 2) could take some time to complete, the government requires an advance for its ongoing programs. An Interim Supply Bill is tabled to provide this advance. These Interim Supply Bills provide funds for government expenditure for one, two, or as many months as required before approval of the full Estimates is received. A final *Supply Act* is passed once all Votes have been approved by the Legislative Assembly.

Statutory Appropriations

In addition to the year-to-year approval provided by the *Supply Act(s)*, continuing spending authority is provided in other legislation to cover special programs such as fire suppression and flood relief. Programs with permanent spending power are said to have statutory authority.

Special Warrants

A final way in which spending authority is granted under legislation is by way of a Special Warrant. Under provision of the *Financial Administration Act*, such spending authority can be given by the Lieutenant Governor only if the Legislative Assembly is not in session and if the money is deemed, by the Lieutenant Governor in Council, as urgently and immediately required for the public good. Appropriations made by Special Warrant are subsequently reported to, and reviewed by, the Legislative Assembly in the next Supply Bill.

Public Accounts

The Public Accounts are the government's financial statements and are prepared by the Office of the Comptroller General (OCG). The OCG is similar to the comptroller's section in a large corporation. In addition to preparing the Public Accounts, the Comptroller General is responsible for accounting and financial systems throughout government. The Comptroller General must ensure there is proper collection, disposition and recording of public money and he must maintain the central accounts of government, issue directives and provide methods by which ministries and staff account for public money.

Auditor General's Report

In addition to expressing an opinion on the government's financial statements, the Auditor General publishes an annual report commenting on various matters that he considers require the attention of the Legislative Assembly. The Auditor General's annual report is generally tabled after the Public Accounts are issued. The government's response to the Auditor General's report is tabled by the Minister of Finance and Corporate Relations after the government has had time to consider the Auditor General's recommendations.

Public Accounts Committee

Once the Legislative Assembly receives the Public Accounts and the annual report of the Auditor General, the Select Standing Committee on Public Accounts assesses financial operations and administration of the government. This committee includes both government and opposition members of the Legislative Assembly and is traditionally chaired by a member of the Opposition.

APPENDIX 2

The government carries on its activities through a variety of appropriations, special funds, corporations and agencies.

General Fund

The general fund is the main operating account of government.

Special Fund

There were two special funds at March 31, 1989; the Budget Stabilization Fund and the Privatization Benefits Fund. These special funds were not part of the ongoing operations of the government.

Combined Financial Statements

These statements combine the Budget Stabilization Fund, the Privatization Benefits Fund, and the General Fund into the Consolidated Revenue Fund.

Consolidated Revenue Fund

The Consolidated Revenue Fund consists of the General Fund and Special Funds. All expenditure and revenue through the Consolidated Revenue Fund are reported in the government's combined financial statements.

Crown Corporations and Agencies

A number of government activities are carried out by Crown corporations and agencies. These activities range from self-sufficient, commercial business such as British Columbia Hydro and Power Authority to extensions of government programs carried out by organizations such as the Medical Services Commission.

APPENDIX 3

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NOTE: These unaudited summary financial statements are mainly derived from the government's audited financial statements which may be found in Sections A and B of Volume 1 of the 1988/89 Public Accounts.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The three main financial statements are as follows:

General Fund Financial Statements — Accounts included in these statements are the main operating accounts of the government, and special accounts which have a statutory spending authority.

Combined Financial Statements — (Consolidated Revenue Fund) Accounts included in these statements are those of the general fund which include the main operating accounts of the government and special funds which include ear-marked revenue and funds set aside by the Legislative Assembly from the general fund for specific purposes.

Consolidated Financial Statements — These statements aggregate the accounts of the combined general fund and special funds with those of certain Crown corporations: "service" corporations, which exist to service the government and "provincial" corporations, which conduct government activities and complement government programs. Other Crown corporations, identified as "transportation" companies and "commercial" enterprises, are included in these accounts on a modified equity basis, whereby the government's investment in these entities is adjusted to reflect underlying book values.

In addition to the above, the Public Accounts contain the individual financial statements for Crown corporations and agencies.

Basis of Accounting

The accrual basis of accounting (matching revenue and expenditure to the period in which it was earned or spent) is used in the preparation of these financial statements as explained below.

Revenue

All revenues are recorded on an accrual basis except where accruals cannot be determined with a reasonable degree of certainty or where their estimation is impractical. Exceptions, which normally relate to certain payments to the government under the *Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act* 1977, are recorded on a cash basis.

Expenditure

All expenditure, including the cost of fixed assets, is recorded for goods received and services rendered during the fiscal year. Grants (which include forgivable loans) are recorded as expenditures when disbursements of the funds have been authorized. Contributions are recorded as expenditures at the earlier of date payment authorized, or performance conditions achieved, by recipient.

Assets

All assets are recorded to the extent they represent claims upon outside parties or items held for resale to outside parties as a result of events and transactions prior to fiscal year-end. Rental payments for capital leases are reported as expenditure at the dates of inception of the leases.

Liabilities

All liabilities are recorded to the extent they represent claims payable to outside parties as a result of events and transactions prior to the fiscal year-end.

Foreign Currency Conversion

Monetary assets and liabilities denominated in foreign currencies are converted to Canadian dollars at the prevailing exchange rate at year-end. Foreign currency transactions are converted at the exchange rate prevailing at the date of the transaction unless hedged (a transaction intended to reduce the risk of loss from price fluctuations) by forward contracts which specify the rate of exchange.

Adjustments arising as a result of foreign currency conversion are credited or charged to operations at the time the adjustments arise. Unrealized foreign currency

gains and losses on long-term, fixed-term monetary assets and liabilities are reported as a deferred charge and amortized over the remaining terms of the related items on a straight-line basis. Non-monetary assets and liabilities are converted at historical rates of exchange.

Cash and Temporary Investments

Cash balances are shown after deducting outstanding cheques issued prior to fiscal year-end. Those issued subsequent to fiscal year-end relating to the previous year are included in accounts payable.

Temporary investments include short-term investments and are recorded at the lower of cost or market value.

Accounts Receivable

All amounts receivable at the fiscal year-end for work performed, goods supplied or services rendered are recorded as revenue of the fiscal year. Provision is made where collection is considered doubtful.

Inventories

Inventories comprise items held for resale and are recorded at the lower of cost or net realizable value. Inventories of supplies are charged to the respective programs when the cost is incurred.

Property under development for sale to outside parties is recorded at the lower of cost or net realizable value.

Investments In and Amounts Due from Crown Corporations and Agencies

Investments in and amounts due from Crown corporations and agencies represent long-term investments and amounts due other than trade receivables. They are recorded at cost unless significant prolonged impairment in value has occurred. If so, they are written down to recognize this loss in value. If the value of the investment is restored, the investment is written back up to not more than its original cost.

Loans, Advances and Other Investments

Loans, advances and other investments are recorded at cost less adjustment for any prolonged loss in value.

Mortgages Receivable

Mortgages receivable are secured by real estate and are repayable over periods ranging up to 30 years. Provision is made where collection is considered doubtful.

Fiscal Agency Loans

Fiscal Agency loans are loans made to public bodies which have been financed by borrowing made by the Minister of Finance and Corporate Relations in his capacity as fiscal agent on behalf of government bodies. These loans are recorded at maturity value less unmortized discount and sinking fund balances. Discounts are amortized on an effective-yield basis.

Fixed Assets

Disbursements for fixed assets are recorded as expenditures in the fiscal year in which assets are acquired. Highways, bridges, wharves, ferries and ferry landings, buildings, office equipment, furniture, automobiles and Crown land comprised of parks, forests and all other publicly held land in the province, not including property under development, are recorded at a nominal value of $1.

Other Assets

Other assets include prepaid program costs which represent expenditures made during the fiscal year for work to be performed, goods to be supplied, services to be rendered or contractual obligations to be fulfilled by outside parties in a subsequent fiscal year. These costs also include inventories of operating materials held in the Purchasing Commission and Queen's Printer warehouses pending distribution in a subsequent fiscal year.

Also included in other assets are certain deferred charges.

Accounts Payable and Accrued Liabilities

All amounts payable (including trade payable to Crown corporations and agencies) for work performed, goods supplied, services known to have been rendered or for charges incurred in accordance with the terms of a contract are recorded as part of the expenditure of the fiscal year.

Due to Crown Corporations, Agencies and Funds

Amounts due to Crown corporations, agencies and funds (i.e., Budget Stabilization Fund and Privatization Benefits Fund) represent liabilities incurred (other than trade payable) which are payable in the following fiscal year.

Deferred Revenue

Deferred revenue represents amounts received or receivable prior to the fiscal year-end in payment of revenue that will be earned in subsequent fiscal years.

Public Debt

Public debt represents direct debt obligations for the purposes of the Government of British Columbia and fiscal agency loans. These obligations are recorded at principal less unamortized discount and sinking fund balances where applicable. Discounts are amortized on an effective-yield basis.

GENERAL FUND BALANCE SHEET AS AT MARCH 31, 1989

ASSETS	1988/89	1987/88
	($ Millions)	
Cash and temporary investments	682	116
Accounts receivable	942	812
Inventories	127	119
Investments in and amounts due from Crown corporations, agencies and funds	604	1,004
Loans, advances and other investments	274	163
Mortgages receivable	418	323
Fiscal Agency Loans	3,811	2,623
Other assets	30	167
	6,888	5,327
LIABILITIES AND NET EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	1,084	993
Due to Crown corporations, agencies and funds	1,653	942
Deferred revenue	252	256
Public debt, issued for Government purposes	4,919	5,017
Public debt, to finance Fiscal Agency loans	3,813	2,623
	11,721	9,831
Net equity (deficiency)	(4,833)	(4,504)
	6,888	5,327

GENERAL FUND STATEMENT OF REVENUE AND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1989

	1988/89	1987/88
	($ Millions)	
REVENUE		
Taxation	6,972	6,193
Natural resources	1,261	1,223
Other	1,404	1,051
Privatization transactions	308	
Contributions from Government enterprises	439	470
Contributions from the Federal Government	2,110	2,020
Gross revenue	12,494	10,957
Less: Transfer to Budget Stabilization Fund	(592)	(717)
Transfers to Privatization Benefits Fund	(308)	
Net revenue	11,594	10,240
EXPENDITURE		
Health	4,012	3,684
Social services	1,411	1,349
Education	2,881	2,628
Protection of persons and property	554	509
Transportation	829	928
Natural resources and economic development	867	735
Other	444	406
General government	207	242
Debt servicing — Third Parties	531	525
Debt servicing — Budget Stabilization Fund	77	
Transfer from Lottery Fund Special Account to Budget Stabilization Fund	79	25
Total expenditure	11,892	11,031
Net Operating Expenditure for the Year	(298)	(791)
NON-OPERATING TRANSACTIONS		
Accounting adjustment for recognition of grants paid for Social Assistance claims	(31)	
Net Expenditure for the Year	(329)	(791)

GENERAL FUND STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE FISCAL YEAR ENDED MARCH 31, 1989

	Assets	Liabilities ($ Millions)	Net Equity (deficiency)
Financial Position — Beginning of Year	5,327	(9,831)	(4,504)
Changes during year —			
Cash and temporary investments — increase	566		
Investments in and amounts due from Crown corporations and agencies (decrease)	(400)		
Fiscal agency loans — increase	1,188		
Other assets — increase	207		
Public debt, issued for government purposes (increase)		98	
Public debt, to finance fiscal agency loans (increase)		(1,190)	
Other liabilities (increase)		(798)	
Net expenditure for the year			(298)
Non-Operating Transactions Accounting Adjustment for recognition of grants paid for Social Assistance claims			(31)
Financial position end of year	6,888	(11,721)	(4,833)

GENERAL FUND REVENUE BY SOURCE
FOR THE FISCAL YEAR ENDED MARCH 31, 1989

	Budget 1988/89	Actual 1988/89 ($ Millions)	Actual 1987/88
Taxation Revenue:			
Personal income	2,784	2,995	2,790
Corporation income	557	600	473
Social service	1,657	1,717	1,463
Gasoline and fuel	508	469	449
Tobacco	240	259	228
Property purchase	162	249	140
Other	682	683	650
	6,590	6,972	6,193
Natural Resource Revenue:			
Petroleum and natural gas	205	240	198
Minerals	54	75	54
Forests	689	678	744
Water resources	250	255	215
Wildlife	12	13	12
	1,210	1,261	1,223
Other Revenue:			
Sales and services	839	910	694
Licenses and permits	238	263	199
Interest from investments	53	134	68
Miscellaneous	78	97	90
	1,208	1,404	1,051
Privatization Transactions		308	
Contributions from Government Enterprises:			
Liquor Distribution Branch	425	416	425
Other	23	23	45
	448	439	470
Contributions from Federal Government:			
Established Programs Financing	1,297	1,230	1,215
Canada Assistance Plan	623	668	631
Other	188	212	174
	2,108	2,110	2,020
Gross Revenue	11,564	12,494	10,957
Less: transfer to Budget Stabilization Fund		(592)	(717)
transfers to Privatization Benefits Fund		(308)	
	11,564	11,594	10,240

GENERAL FUND OPERATING EXPENDITURE BY MINISTRY FOR THE FISCAL YEAR ENDED MARCH 31, 1989

	Budget 1988/89	Actual 1988/89 ($ Millions)	Actual 1987/88
Legislation	17	16	16
Auditor General	5	5	5
Ombudsman	3	3	3
Office of the Premier and Executive Council Operations	3	3	3
Advanced Education and Job Training	864	914	807
Agriculture and Fisheries	91	90	65
Attorney General	199	205	191
State for Thompson-Okanagan and Kootenay, Responsible for Crown Lands	33	31	31
Education	1,972	1,979	1,827
Energy, Mines and Petroleum Resources	30	29	28
State for Cariboo, Responsible for Environment	90	87	76
Finance and Corporate Relations	65	85	67
Forests	565	482	407
Government Management Services	58	59	103
Health	3,915	3,930	3,627
International Business and Immigration	29	28	22
Labour and Consumer Services	73	62	48
Municipal Affairs, Recreation and Culture	472	457	449
State for Nechako and Northeast, Responsible for Native Affairs	4	3	4
State for Vancouver Island/Coast and North Coast, Responsible for Parks	34	33	35
Regional Development and Ministry of State for Mainland/Southwest	59	58	51
Social Services and Housing	1,393	1,432	1,378
Solicitor General	300	302	279
Tourism and Provincial Secretary	33	36	26
Transportation and Highways	683	653	766
Management of the Public Debt	650	612	525
Contingencies	50	22	50
New Programs	90	61	
Crown Lands	20	28	22
Lottery Fund Special Account	159	164	120
Other		23	
Total operating expenditure	11,959	11,892	11,031

Expenditure figures for 1987/88 and budget figures for 1988/89 have been re-stated to reflect the government structure as of March 31, 1989.

COMBINED BALANCE SHEET AS AT MARCH 31, 1989

	1988/89	1987/88
	($ Millions)	
ASSETS		
Cash and temporary investments	978	116
Accounts receivable	935	812
Inventories	127	119
Investments in and amounts due from Crown corporations, agencies and funds	604	1,004
Loans, advances and other investments	294	163
Mortgages receivable	418	323
Fiscal Agency loans	3,811	2,623
Other assets	30	167
	7,197	5,327
LIABILITIES AND NET EQUITY (DEFICIENCY)		
Liabilities:		
Accounts payable and accrued liabilities	1,084	993
Due to Crown corporations, agencies and funds	161	199
Deferred revenue	253	255
Public debt, issued for Government purposes	4,919	5,017
Public debt, to finance Fiscal Agency loans	3,813	2,623
	10,230	9,087
Net equity (deficiency)	(3,033)	(3,760)
	7,197	5,327

COMBINED STATEMENT OF REVENUE AND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1989

	1988/89	1987/88
	($ Millions)	
REVENUE		
Taxation	6,972	6,193
Natural resources	1,261	1,223
Other	1,712	1,051
Contributions from Government enterprises	439	470
Contributions from Federal Government	2,110	2,020
Total revenue	12,494	10,957
EXPENDITURE		
Health	4,012	3,684
Social services	1,411	1,349
Education	2,881	2,628
Protection of persons and property	554	509
Transportation	829	928
Natural resources and economic development	867	735
Other	444	406
General government	207	242
Debt servicing	531	525
Total expenditure	11,736	11,006
Net Operating Revenue (Expenditure) for the Year	758	(49)
NON-OPERATING TRANSACTIONS		
Accounting adjustment for recognition of grants paid for Social Assistance claims	(31)	
Net Revenue (Expenditure) for the Year	727	(49)

SUPPLEMENTARY STATEMENTS TO THE COMBINED FINANCIAL STATEMENTS
BUDGET STABILIZATION FUND STATEMENTS

BUDGET STABILIZATION FUND BALANCE SHEET
AS AT MARCH 31, 1989

	1988/89	1987/88
	($ Thousands)	
ASSETS		
Due from General Fund	1,491,152	742,905
	1,491,152	742,905
LIABILITIES AND NET EQUITY		
Net equity	1,491,152	742,905
	1,491,152	742,905

BUDGET STABILIZATION FUND
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE FISCAL YEAR ENDED MARCH 31, 1989

	1989	1988
	($ Thousands)	
REVENUE		
Interest revenue	77,330	
Transfer from General Fund	591,917	717,377
Transfer from Lottery Fund Special Account	79,000	25,528
Net Revenue for the Year, to Net Equity	748,247	742,905

SUPPLEMENTARY STATEMENTS TO THE COMBINED FINANCIAL STATEMENTS
PRIVATIZATION BENEFITS FUND STATEMENTS

PRIVATIZATION BENEFITS FUND BALANCE SHEET
AS AT MARCH 31, 1989

	1988/89 ($ Thousands)
ASSETS	
Cash and temporary investments	296,210
Accounts receivable	1,429
Loans, Advances and other Investments	19,953
	317,592
LIABILITIES AND NET EQUITY	
Liabilities:	
Due to General Fund	9,017
Deferred revenue	57
	9,074
Net equity	308,518
	317,592

PRIVATIZATION BENEFITS FUND
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE FISCAL YEAR ENDED MARCH 31, 1989

		1988/89 ($ Thousands)
REVENUE		
Interest from investments		12,928
Net Proceeds from Privatization Transactions		
British Columbia Hydro and Power Authority	220,270	
British Columbia Enterprise Corporation	43,163	
Highways Maintenance	37,295	
Forests — Nurseries	6,502	
Other	1,288	
		308,518
Total revenue		321,446
EXPENDITURE		
Payment to General Fund		12,928
Net Revenue for the year, to Net Equity		308,518